

*Research paper***Rural development and rural tourism: an institutional approach***Submitted in 31, August 2016**Accepted in 23, March 2017**Evaluated by a double blind review system***ANTÓNIO MARTINS ALMEIDA¹****Abstract**

Purpose: The development of rural and peripheral areas is still a matter of concern in most western countries. Rural tourism has long been understood as an effective catalyst of change in depressed and deprived. Nevertheless, the tourism led approach produced mixed results. In this vein, this study is concerned with the analysis of the potentialities, weakness and strengths of the rural hinterland in Madeira, in light of the recent developments in this sector.

Design/methodology approach: The analysis pursued in this paper refers to a case study approach employed to outline the prospects of developing the rural hinterland based on rural tourism ventures. Secondary data was gathered from the Local Statistical Office, but this study derives the main conclusions from the analysis of descriptive content of structured interviews held with rural houses managers.

Findings: The analysis reviews several papers in order to identify the main challenges faced by the local authorities at the county level. As found elsewhere, institutional factors will be decisive in succeed in this regard. The local authorities are well placed to act as a resource provider and coordinators/team leaders.

Originality/value: This paper provides an analysis of the development path of rural tourism in Madeira and explores how local policy makers may be the “missing link” needed to improve the sector prospects based on tangible and intangible amenities and better entrepreneurial activities. This paper provides unique insights about the development of rural tourism in localities still learning how to best promote alternative market niches

Keywords: rural tourism; institutional approach; rural development; Madeira Island.

1. Introduction

The development of rural areas is still a matter of concern in most western countries (Lane, 2009; Hoggart, Buller, and Black, 1995). Depopulation, low density of business activities, emigration of the younger and better qualified individuals and a feeling that such regions have been abandoned by the central government are among the key “contextual factors” that should be examined in order to understand the socio-economic dynamics of rural and peripheral areas. It is hardly surprising, if we take into account the magnitude of the problems faced by rural areas, that rural tourism has enjoyed substantial levels of financial support and direct assistance from the public sector, in an attempt to break the “vicious” circle of economic decline. The rural tourism sector was

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expected to make an extremely positive contribution to the fate of rural communities, which prompted policy makers to elect rural tourism as the “replacement industry” by excellence, capable of counterbalance the decline of traditional rural livelihoods (Saarinen, 2007). However, the empirical evidence available on the socio-economic impacts of rural tourism doesn’t provide ground to consider rural tourism (herein after referred as RT) as a “panacea to the problems facing rural areas”; in all evidence, RT isn’t a ‘magic wand that will speed up economic progress’ (Hoggart et al., 1995, p. 36; Saarinen, 2007; Sharpley, 2002), despite being quite effective in drawn the attention of local and regional policy makers” (Randelli & Tortora, 2014, p. 276). Still today notwithstanding all the evidence of partial failures in this regard, RT is highly praised because of its potential in terms of “job creation, farm diversification, promotion of local food and drink, destination resource stewardship and community cohesion” (Haven-Tang & Jones, 2012, p. 28; Prideaux, 2009).

Policy makers were surprisingly rapid in channelling large amounts of public funds to support RT investments at the regional and local level (Haven-Yang & Jones, 2012, p. 28; Guzman-Parra et al, 2015). However, the role of the municipalities in implementing RT projects received scant explicit attention, even though most of the action and policies measures are effectively managed at the local level. The neglect of the role of municipalities may be due to the tendency to understand the “idea” of tourism destination as a country, province or region. Moreover, many RT studies highlight the key role of entrepreneurs in carrying out investment projects, with municipalities limited to the basic task of addressing identifiable market failures. In this regard, the purpose of this study is to review the key role played by the local authorities in the development of the municipalities as a successful RT destinations. In this study, we focus on broader rural development theories and studies on the field of rural tourism in order to understand the dilemmas faced by regions investing heavily on RT. A case study method was adopted in this research, with the aim of increasing our understanding of the rural hinterland in Madeira. This paper will continue with a brief overview of the contextual setting under analysis, followed by the review of the literature before addressing the data results and the main conclusions of this research project. The paper will briefly discuss the implication of the main findings.

2. Contextual setting

Madeira is endowed with a mild climate, a diversity of landscapes that support different types of tourism activities, relatively easy access by air to the main European cities and a well-qualified and skilled workforce. Tourism is the dominant sector of the economy. By taking into account direct and indirect effects of tourism, the Report Ismeri (2011) points to 21% in terms of GDP and 14% in terms of employment. The sector benefits from “a centenary tradition (Madeira is one of the oldest touristic destinations in the world) and is part of the whole social and economic life” (Ismeri, 2011, p. 135). Moreover, the sector is placed in an intermediate stage of development, “far from the mass offer of the Canary Islands but also far from the scarce hotel (niche approach) capacities of the Azores”; therefore, visitors would only rarely feel disturbed by large crowds (Ismeri, 2011, p. 136). The region attracted around 1 million of visitors in 2015.

Rural tourism is a newcomer to tourism with official data available since 1995, and at present, it is widely believed that the prospects for growth appears to be very encouraging. The opportunities for tourism expansion via incorporation of the rural hinterland appear to be substantial for this region. The region has to offer traditional

agriculture and craft activities, and (other) “raw material for rural tourism development”. As in other cases, the local government understood rural tourism, as a means of achieving economic, social, and cultural development in rural areas, along with aims of resource conservation, and market diversification. However, the socio-economic overview of the rural areas shows that such areas exhibit below average productivity, purchasing power and population growth. The population is older the regional average and the dependency ration is much higher than the regional average. Table 1 lists a number of key socio-economic indicators for the counties located in the western and northern coast of Madeira.

It is worth to mention that while rural tourism elsewhere in Europe is strongly associated with agro-tourism and with farms moving from agriculture to tourism accommodation, rural tourism development in Madeira is rather linked to European Funds for “multifunctionality within agriculture”. The local government has invested funds on rural areas to improve accessibility and infra-structure indicators, which has been exploited by urban residents owning abandoned farm land and other empty proprieties in the rural areas. Most RT ventures resulted from the opportunity to recover and renovate old family proprieties in the rural hinterland based on financial support. Therefore, in contrast to the western European context, where rural tourism is perceived as “synonymous with” farm tourism (agritourism, agrotourism), rural tourism in Madeira was rather developed from scratch. The rural tourism sector in Madeira is represented by 50 businesses, mostly of them “family owned” and developed with substantial levels of financial and institutional support. In a number of instances, it can be stated that issues of “inconsistency” regarding the “quality of the services provided” along with “limited staff” to develop new services plus a “lack of understanding (misunderstanding) of the concept of rural tourism “coupled with the wrong initial assumptions about the critical factors for success (Sharpley, 2002)” place severe limits on the prospects of growth.

Since the early 90s, the expansion of the rural tourism sector in Madeira has been relatively consistent. As suggested above, the local government start to develop the sector in early 90s. Up to 2002, the sector achieved an average annual growth of 5%, in terms of arrivals, with the number of guests reaching 7875 by 2002. Then, following the 2010 natural disaster, a sharp decline in the number of visitors is clearly discernible in 2010 and 2011, followed by gradual recovery. The most rapid development is taking place in last few years. As of 2015, the sector has a “lodging capacity” of 751. In 2015, the total number of visitors hosted in the rural tourism sector was 18091. As depicted in Table 3, the number of tourists attracted by the rural hinterland increased steadily between 2012 and 2015. By nationality, most visitors come from Germany, with 33%, France, with 21%, and Portugal, with 11%. Germany, France, and Portugal account for 78% of the total number of overnights. The average length of stay is 4,3, and the main reason to visit the island is to enjoy the mild climate. The second most referred motive to visit the island lies in enjoying nature, which have been mentioned by 60% of the visitors. Other factors motivating tourists to reach the rural hinterland include cultural attractions and escape to a rural environment to recharge batteries. Madeira enjoyed a privileged position in terms of seasonality. Demand used is fairly homogeneously distributed throughout the year, owing to the mild climate. However, and contrary to what happens in the 60s, the winter is no longer the high season. With regards to the seasonal pattern, most visitors travel to the region in the April-September period.

Table 1: Basic county-level indicators

	Area	Area Perc.	Population Density	Ageing ratio	Local Administration expenditure on cult-creative activities
	km2		hab/km2		%
Calheta	111,51	13,9%	100,2	162,6	14,7
Porto Moniz	82,93	10,3%	29,8	199,3	118,9
Santana	78,84	9,8%	67,2	214,2	47,5
São Vicente	95,47	11,9%	74,7	208,4	14,2
R. A. Madeira	801,52		322,7	99,8	19,4
Portugal			112,5	141,3	34

Source: DRE Madeira – 2015 Statistical Yearbook.

Table 2: Basics Statistics on the Tourism Activity

	Average stay of foreign guests	Lodging capacity per 1000 inhabitants	Guests per inhabitant	Proportion of guests from foreign countries	Proportion of nights between July-September	Nights in tourist accommodation per 100 inhabitants	Lodging income per lodging capacity
	No. of nights	No.		%		No.	thousand euros
Calheta	6,2	124,6	4,3	80,2	30,9	2273,4	4,5
Porto Moniz	2,8	157,2	8,3	72,7	36	2074,5	2,9
Santana	3,4	79,6	2,4	90,4	32,3	770,3	2,2
São Vicente	5,7	128	4,3	73,6	38	2047,2	3,5
R. A. Madeira	6	123,7	4,6	80,8	32,7	2502,6	5,8
Portugal	3,4	32,9	1,7	57,2	39,4	468,3	4,8

Source: DRE Madeira – 2015 Statistical Yearbook.

Table 3: RT vital statistics

Indicators	1995	2015	Av. Annual Growth
Arrivals	575	16 930	18%
Overnights	3 119	78 531	18%
Average Stay	4,9	4,3	-1%
Occupancy rate	17,9	34,2	3%
Lodging income	61	2 882	21%
Labor costs	21	860	20%
Establishments	4	56	14%
Rooms	22	361	15%
Lodging capacity	45	751	15%
Employees	5	117	17%

Source: DRE Madeira – 2015 Statistical Yearbook.

It is worth to mention that the RT segment attracts a different type of clientele, at least in terms of country of origin. The British market is small and the German markets accounts for around 30% in terms of share. The French and the Nordic market are exhibiting sustained growth, which as forced the local entrepreneurs to adapt to different visitors' expectations and needs, namely in terms of linguistic skills. For other reasons, as well, the sector needs to be ready "improving responsiveness to demand side challenges".

Cracolici and Nijkamp (2009) refers that the stock of natural and cultural resources offers only a certain degree of protection based on comparative advantage (Garrod Wornell & Youell, 2005; Saxena & Ilbery, 2008). Natural resources "are a necessary condition", but not a sufficient condition to ensure the highest levels of competitiveness (Komppula, 2014, p. 362). While an adequate stock of natural resources may confer an effective economic advantage, success in the long term depends rather on the ability to react efficiently to market demands (Gomezelj & Mihalic, 2008; Cai, 2002; Geels, 2012). It must be stressed that the financial difficulties in preserving the environment and heritage may become unaffordable for most municipalities. Under such circumstances additional sources of income based on increasing numbers of tourist and increased economic benefits are obviously welcomed. But, off course, the optimal use of the natural and cultural resources available may only be achieved if the tourism package is sufficiently attractive to attract an adequate number of visitors. This will be only the case if the different private operators work together to identify and implement joint responses to demands of the public. It is worth to mention that support from local residents may be voiced if they are made aware that the environmental and heritage related resources available offer an opportunity of contributing to better standards of living. Consequently, financial support for measures and projects promoting a high level of cooperation/coordination amongst private operators may be welcomed by the public in general. All these concerns have been largely incorporated in the most recent reports and official documents on the subject.

3. Literature Review

Despite all the reported success, the RT sector is extremely vulnerable, and the evidence available suggests that the extremely optimistic predictions made by experts and policy makers failed to materialise to a large extent. This is due to a number of reasons. Wilson, Fesenmaier, Fesenmaier and van Es (2001) analysed the critical factors of success in terms of RT development in rural areas. Their findings corroborate the importance of a community approach and the role of entrepreneurs in the development of rural tourism products in general. However, ten other factors are also mentioned by the authors: "a complete tourism package, good community leadership, support and participation of local planning, coordination and cooperation between business people and local leadership, coordination and cooperation between rural tourism entrepreneurs, information and technical assistance for tourism development and promotion, good convention and visitor bureaus and widespread community support for". For reasons of space we will analyse the impact of the lack of cooperation amongst private operators along with the critical impact of institutional issues on RT development at the local level in order to provide ground to understand the key importance to be played by the local authorities as coordinators and resource provider. The sector is dominated by small-scale family-owned business. While "smallness" and community-led projects are praised by a huge number of authors, Haven-Tang and Jones (2012, p. 28) refer that

‘smallness’ is more akin to competition than to cooperation. Smallness militates against local authorities’ efforts to achieve “vertical integration between local and regional tourism policies” and hampers their efforts to built-up competitive packages blending accommodation, cultural events and gastronomy lack of cooperation is problematic because complex products such as the “average” RT product require local providers to cooperate simply to comply with the minimum quality standards. An effective and attractive RT product requires, in many instances, besides high quality accommodation, a wide range of food and cultural attractions to offer an enjoyable experience, which obviously demands cooperation from several suppliers (Mitchell & Hall, 2005, p. 5). Others have similarly concluded that the development of the RT sector is clearly dependent, in most instances, on the jointly development of the agriculture and tourism sector, along with the “culinary and food and drink sectors”. In the same vein, Wilson, Fesenmaier, Fesenmaier and van Es (2001) refers co-operation between private operators and local officials as critical to attain success in terms of promotional activities. Unfortunately, small-scale businesses are quite often characterised by a “fortress mentality”, low levels of engagement and even refusal to engage in networking. As a result, even the most comprehensive RT development strategy may fail to promote “positively, competitively and sustainably” the key attributes of the destination (Haven-Tang & Jones, 2012, p. 28). Moreover, owing to businessman’s concentration on daily management and response to immediate, it is hardly surprising that the key actors fail to ‘get a full picture’ the sector; worst, many Small and Medium Business (SMEs) owners “may not recognize or care about the wider and long term consequences of some of their actions’ (Kompulla, 2014, p. 362), because they fail to recognise the impact of their actions on others.

Equally important, institutional weakness actively militate against RT strategies. Owing to the large number policy makers and to the multitude of levels of policy instruments and policies at national, regional and local level, not forgetting the changing and conflicting policies implemented over time, policy making have been implement “through disparate means” and without coherence in terms of a clearly interpretable “development strategy” (Haven-Tang and Jones, 2012, p. 28). In a few instances, RT policies and instruments “lack clarity, objectivity and cohesion”, being on the contrary, a factor leading to confusion. Nylander and Hall (2005, p. 35) refer that RT policies are, in general, “fragmented, unclear, uncoordinated and lacking integration with other sectors”. Perhaps, as a result of the excess of regulations and legislation, a large number of operators may believe that the development of the sector is “under the responsibility of the public-sector”, whose aim would be to develop and create an appropriate environment to fully develop the sector based on massive transfers of public funds to private business. Lack of cooperation, interest and involvement on the local community part is another issue identified in the literature (Reid, Hair & Taylor, 2000). In a few instances, RT has been implemented in areas characterised by low levels of civic involvement. Under such circumstances, “little or no effort” was made to involve the stakeholders in the process of tourism development, in the face of the public’ high levels of scepticism and lack of concern. Moreover, in view of the difficult economic circumstances, the top priority was to re-build the economic structure, irrespective of the means. Accordingly, most residents didn’t challenge the wisdom of the policy approach to develop the sector and counted on the local government to develop the economy. This is particularly true in places hardly hit by the ongoing course of globalization with serious losses in the agricultural and forestry sector. Here, the course of development was managed in an entrepreneurial way, “without an overarching strategy which takes into account local culture, social and environmental impacts” (Reid

et al, 2000, p. 20). The positive effects in terms of job creation and entrepreneurial ventures were taken for granted, with any disadvantage simply understood as a necessary and inevitable reaction to the loss of employment opportunities in other sectors. As observed by Saarinen (2007), the decline of agriculture and forestry “motivated” residents in rural areas to “search” for alternative sectors and to accept virtually any solution. It is worth to mention that rural development theories, and by extension RT policies, highlight the importance of a ‘grassroots approach to tourism development’, the encouragement of local community participation, the development of small scale projects as well as the valorisation of the “tradition, character and culture”. Mitchell and Hall (2005, p. 5) refer that RT is based on “co-operation and community involvement” through networking and Reid et al (2000) advocated community-based development to give citizens a voice and empower them to take decisions (Rangarajan, Long, Ziemer & Lewis, 2012). However, as observed by George, Mair and Reid (2009), most RT policies resulted from top-down approaches with policies and instruments being defined first and foremost by “external organizations” (read: the European Union (EU)) and the national government), and then, in later stage “shared with the local community” (read: the mayor, the municipal board members and counsellors). As mentioned above, the rural sector is populated by a myriad of actors with different objectives and motivations, which complicates communication and a common definition of objectives. Moreover, as found out by Randelli et al (2014), rural development is not a linear process, but a complex process involving experimentation, learning effects, the development of new capabilities, the implementation of new policies, and adjustment and new reconfigurations. Several “interdependences” created between resources, actors, markets and the effects of processes defined at national or global level also affect the development path. The complexity of the development process derives similarly from the very fact that the economic landscape “is an open system” evolving “in ways” that are ultimately shaped by past developments. Another institutional weakness relates to the absence of an organizational structure operating at the local level and charged with the responsibility of advertising the locality abroad. At the national and regional level, the Destination Management Organization (DMOs) as independent bodies have been called to ensure the develop the sector based on partnerships, consulting services, preparation of detailed plans, collection and analysis of statistics, etc (Ritchie & Crouch, 2003). However, at the county level, success in fostering and nurturing a “competitive and sustainable’ framework” lies in the hands of the local authorities that may be unable to set up an independent body in charge of the tourism sector (Ritchie & Crouch, 2003, p. 174)”. In most instances, there is no equivalent (to the DMO or to another “committed tourism organization”) to promote an effective leadership and the coordination of the development strategy. As a result, further developments in the sector might not be properly monitored over time owing both to the lack of specialized skills, expertise and resources needed to create an unifying entity “forcing” parties operators to dialogue and cooperate. Ritchie and Crouch (2003) and Bornhorst, Ritchie and Sheehan (2010) believe that the central role of the local authorities is to “provide” leadership and resources to foster the development of the sector. Dwyer and Kim (2003), Koh and Hatten (2002), and Golembowski and Olszewski (2010) observe that the that public sector actors are fundamental and instrumental in developing and stimulating entrepreneurship ventures: by helping local residents to the process of identify of market opportunities and localisation of resources; by creating a favourable entrepreneurial climate; and, by attracting investors and pioneers (e.g. former residents and other with an familial and emotional links) to the area. Rusko, Kylänen, & Saari, (2009) highlight the key role of

municipalities in the development path of the localities, namely in terms of high-order (strategic) decisions, such as “land use and zoning policies, and investments in infrastructure”. Such decisions may open up markets by creating investment and job creation opportunities. The local governments may also succeed by offering the right incentives to invest, which do not necessarily mean higher levels of financial support. For example, the development of an “entrepreneurial culture” facilitating new ventures is far more important than subsidies according to Dwyer and Kim (2003). The development of a “macro business perspective”, by helping the multiple actors to understand the “common benefits” that can emerge from cooperation compared with the short-term advantages of “an opportunistic approach” (Wang & Krakover, 2008; Zach & Racherla, 2011) is invaluable in the long term. However, such an approach demands leading by example, time consuming tasks to be performed and perseverance and patience. .

In summary, RT development is far from guaranteed even if the initial conditions (e.g. stock on natural resources) are more favourable than elsewhere. Various authors reflected on the way forward. In this respect, the evidence suggests that a thoroughly analysis of the key role to be played by the municipalities as leaders, political promoters and facilitators is of the utmost importance. Leadership is required to “force” small scale authors (naturally inclined to fiercely defend their own individual freedom) to cooperate in order to foster “linkages rather than leakages” (Haven-Tang & Jones, 2012). Haven-Tang and Jones (2012), Edgell (2011), George, Mair and Reid (2009) refer that an effective and trusted leadership is vital to implement effectively “tourism planning and policy” at the county level and to get the local community involved across. Leadership, according to Jacobsen (2005 cited Prideaux, 2009) is a necessary condition to take calculated risks in order to promote “effective collaborations and partnerships shared by all stakeholders” (Wang, 2008). In a similar vein, Davies (2011, p. 61) contends that at the community level, (local) leadership is “key to organisational effectiveness and successful “development of endogenous activities”. Off course, leadership, according to Pedler, Burgoyne and Boydell (2010, p. 3), it is essential to “find a direction and purpose in the face of critical challenges” and the local authorities can play an important role as transformational leaders, by developing a holistic view amongst competitors and by devising new ways of developing the locality. For example, the local authorities may help by exemplifying how to succeed in terms of technological scanning, to take calculate risks, and the development of an engaging experience in terms of cooperation and partnerships. The identification of new resources and opportunities based on a densified cultural agenda, (e.g. festivals and cultural events) is similarly dependent on an effective leadership.

There are deeper reasons to make further detailed comments about the role of the local authorities. While the literature on “tourism entrepreneurship and innovation”, and most theories on rural development, praise/emphasizes the strategic role of entrepreneurs, the evidence available is mixed (Thomas, Shaw, & Page, 2011). Keller (2010) refers the “tendency” of SMES to privilege non-growth strategies which acts an effective “barrier to innovation” and ultimately to development of the destination (Kompula, 2014). Similarly, Dwyer and Kim (2003), Ritchie and Crouch (2003) and Seppälä-Esser, Airey and Szivas (2009) confirm that a large number of SMEs “do not pursue growth”. Moreover, “low entry barriers” leads to “the proliferation of micro and small firms”, that “fail to recognize their dependence on the competitiveness of the destination as a whole”. In such circumstances, the key role to be played by the local municipalities lies in “enhancing the quality of the tourism experience” through the

mobilization of the resources locally available and in promoting the long-term interests of the community by fostering cooperation and partnerships. There is every indication that such interests are increasingly inter-related with the competitive dynamics of the RT sector. As found out by Haven-Tang and Jones (2012) “locally-produced initiatives” can contribute decisively to “develop a sense of community pride”, to preserve and to affirm the traditional cultural expressions and traditions and by the way to contribute to the foundation of cultural festivals, and to encourage innovation and the affirmation of a clearly recognisable identity in the visitors’ minds. More importantly, local authorities may “inspire” followers to take up the cause of local development through tourism (Collinson, 2006). Off course, the mobilization of the actors is heavily influenced by the leadership style of the DMO “and the degree of which is stake-holder oriented”.

In conclusion, further developments in the RT sector appear to be heavily dependent on the local authorities’ involvement and commitment to overcome the shortcomings identified above. RT has become the replacement sector by excellence, and a number of regions are well placed to succeed in this regard. Nevertheless, further research is needed to ascertain the actual state of the RT sector in Madeira.

4. Results

To further our understanding of the dilemmas faced by RT sector in Madeira, a qualitative study was devised and developed in 2014. Based on previous studies, a pre-test was designed to set up the interview questions and instructions for leading the interview. Five RT owners were interviewed to assess their thoughts and opinions on the problems and weakness faced by the sector and to elicit their opinions on the challenges of running a RT business. All the five interviews were conducted personally at the premises of the RT business. The following generic open questions “were” asked and adopted as a benchmark to disclose the opinions and views of the operators interviewed: what are the main weakness of the RT sector? What could be done by the local authorities to promote the sector? Which factors/resources must be supplied in the shortest possible time? During the interviews, the respondents were asked to provide a few details on the visitors’ length of stay, activities patterns and specific requests made by visitors. Any comment on the problems encountered and “support received” were carefully recorded. It is worth to mention that not all owners were willing to cooperate with this research project and others reluctant in providing details on the operations such as the number of guest did not permit to tape recorded the conversation. In such cases, the analyst wrote up as much it was possible to remember immediately after the interview. Nevertheless, the interviews resulted in a number of “consistent” and relevant findings.

Data for this study was analysed and coded by means of content analysis; a few initial categories/codes guided the study, but other meaningful “ideas” emerged during the analysis. Then the initial set of codes were used to define the pre-test in order to gain an understand of the general structure of the data. Based on the analysis developed in this stage, other codes began the emerge, which lead to the following conclusions.

As expected, most interviewees reported a lack of support from the government with respect to promotion and advertising. Advertising is focused mainly of the destination’ key attributes and therefore the peculiarities of each county are sparsely covered by the advertising. It follows that the specific needs of each county/parish are logically overlooked and unappreciated; in this vein, the interviewees recommended the

development of an effective webpage as an aggregator of resources at the county level. Most operators believe that trying to promote themselves individually abroad is rather ineffective and too expensive. An aggregator would collect and post material regarding news, deals in local shops, cultural events in the surrounding areas and elsewhere in the broad region (Davies, 2011). It is worth to mention that Wilson, Fesenmaier, Fesenmaier and van Es (2001) found out that offering a complete package amounts to a “necessary” condition to succeed in this market. To offer an aggregator of resources, would be a logical step and a necessary intervention to advertise the resources available. As observed by Komppula (2014) the local authorities must seize every opportunity to act as “transformational leaders”, by offering an “integrated view of the sector” and by identifying “new ways” to promote the resources available (Dredge, 2006). Such an approach may lead operators to come up with new ideas and combination of events and experiences. As a result, additional steps, i.e., “calculated risks”, such as emphasis on cooperation and partnerships, development from scratch of festivals and cultural events in order to “densify the cultural agenda” may follow (Komppula, 2014). In order for this to happen, Randelli et al (2014, p. 179) recommends effective institutional planning based on basic principles of “authenticity”, conservation, protections, education, partnerships”, cooperation, maximize benefits and minimize leakages and the preservation of resources.

Another complaint regards the increasing complexity engendered by the number of legislative initiatives and EU projects. This is a highly important issue specially with regards to financial matters. In this vein, any help provided aiming at reducing difficulties in the interpretation of the regulatory environment would be welcomed. It was recognised that financial support to renovate and convert old “proprieties” buildings into accommodation facilities were quite necessary to built-up the main facilities and infra-structures at the very start. However, most operators “complained” about the inadequate levels of revenue generated from the tourism activity, which lead them to praise other sources of income, notably wages from their main profession. Sharpley (2002) also found out that agro-entrepreneurs in Cyprus commented that “they would not be able to survive without other sources of income”. Hence, most operators would welcome extra funds to further their businesses.

Another aspect identified by most regards the lack of specialist training and learning resources centred on other resources than accommodation and facilities, such as “traditions and culture”. It was promptly recognised that skills and competences to interpret in a modern way the needs and preferences of visitors would be welcomed. However, the “average” operator felt confident of their own ability in terms of adequate resources and professional competences to meet visitors’ expectations based on their own competences and friendless of the staff. It should be stressed that the respondents shown a high level of personal attachment to the area. It is worth to mention that Komppula (2007) argues business owners rejecting growth-led objectives are more in accordance with the needs and expectations and preferences of the modern rural tourists. Such tourists prefer authenticity, meaning that individuals that fully enjoy the rural ambiance and favour personal service are better placed to understand their needs. Under such circumstances, to run a small venture in a personalist manner amounts to a “competitive advantage” and not to a barrier. Of course, it can be argued that high levels of place attachment may lead to “inward attitudes” and over-confidence in their own abilities which may act as barriers to adopt innovations. Moreover, running a business from an emotional point of view may lead to lack of professionalism. For example,

detailed knowledge on potential partners' idiosyncrasies may prevent individual operators from engaging in successful partnerships.

The lack of complementary services and attractions in the surrounding areas was also observed by some interviewees, because just a few offer catering services. In this vein, the interviewees recommended the government to take measures with a view to promote alternative services and other entrepreneurial ventures.

While significant progress has been observed over the last few years, one of the most significant "challenges" and handicaps "faced" by the sector lies in the low levels of occupancy. Depending on the month, the occupancy rate may be as low as 18,1% (as of 2015). While only mentioned in passing, room rates are deemed to be too high to counteract effectively the impact of the Local Lodging phenomena. It is important to consider the impact of prejudice and stereotypes. As found out by Sharpley (2002), the tourism sector on islands, is prone to be affected by prejudices and stereotypes preventing the development of new products. In the case of Cyprus, despite the efforts to attract "high-spending" individuals, most rural visitors perceived the island "as a mass, package destination", which lead them to be "price conscious" no matter which accommodation product they were using. Local operators found themselves trapped between the obvious need set high prices in the "high season" to cover above-average costs and the prospects real possibilities of getting higher occupancy rates based on lower rates per night. Moreover, in a few instances, higher occupancy rates would involve more staff and more working hours for the owner. In this regard, most owners complained about the unfair competition deriving mainly from the "Local Lodging" sector, with individuals renting their apartments through the Internet without being subject to normal competition, quality standards, safety, health and taxation rules. As found elsewhere in the Mainland, most guests and tourists are unaware and unconcerned that the accommodation being rented through the Internet is "neither registered" or "taxed". That is, in spite of new legislation, the Local Lodging and private holiday local letting market sector amounts to a largely untaxed and unregulated sector.

It is worth to mention that some entrepreneurs acknowledged that the sector has grown strongly in recent years, both in terms of the number of guest and overnights. Similarly, it is also acknowledged that the sector has benefited from the regional increase in terms of guests. The sector grew at an annual average rate of 15%, far above the sector's average of 3,5%.

The interviews/the available evidence leads us to confirm the main points highlight in the previous sections. It clearly discernible that the respondents expect a high level of strategic/systemic commitment on the local authorities' part to plan and prioritise the development of the tourism sector based on further investment in amenities and cultural events, advertising (image-building) and nurturing partnerships and collaborations. Owners are expecting to get help from the local authorities to increase the overall scale of their business thought the majority of them consider themselves self-supporting and capable of operate in an independent manner. It is worth to considerer this study corroborates past studies SMEs growth strategies, because a number of respondents favour "non-growth" strategies by being more interested in "preserving the family's inheritance" through the recovery of buildings and renew of use. The sector is populated by micro firms that may fail to "understand their dependence on the performance of another sectors (e.g. gastronomy). It is well evident that the owners expect the local municipalities to "enhance the quality of the tourism experience" and to promote the long-term interests of the community through the development of further amenities and partnerships. It can be tentatively suggested that the respondents expect the leadership

to “be concerned with accountability and developing a sense of being represented” by offering to all stakeholders the possibility of being consulted on major issues and to have the opportunity to discuss new ideas and projects. Most interviews would welcome a “strong, committed and effective leadership” in order to produce a proactive role attitude. Dwyer and Edwards (2010, p. 20). And off course, despite the importance attached to issues of self-sufficiency, interviews would welcome the “establishment of a vision and generation of idea’s” on the sector prospects (Burns, 2001). To sum up, the local authorities can play an important role as “transformational leaders”, by developing a “holistic view” of the sector and through the provision of high-order resources (Richards & Palmer, 2010).

As found out by Randelli et al (2014), rural development is not a linear process, but a complex process relating to experimentation, development of new capabilities, adjustment and new reconfigurations, successes and failures. In terms of new capabilities, issues of “institutional arrangements and regulations”, shared beliefs and cognitive routines that “guide” local operators in terms attempts to establish successful partnerships are critically important.

5. Conclusions

In this paper we discuss the case study of Madeira in order to determine the critical factors of success towards a more dynamic economy at the local level. This study was carried out to identify the key challenges faced by RT operators. As with other regions, RT emerged as result of the opportunity to “fill in” empty spaces, namely abandoned farmland and buildings. The easy availability of family owned proprieties and easy access to funds were therefore the primary input to develop the sector. However, owing to the lack of specific traditions in this segment, the risk of being unable to move towards more complex products is real, because the average owner lack skills and motivations to move forward.

In a number of instances, rural tourism was promoted as the saviour of rural areas. However, and quite often, the local authorities set up “too ambitious and unrealistic goals”, which caused disparate and fragment visions to emerge, with the interests of the community and tourism development concerns in juxtaposition but not integrated. It is obvious that the rural tourism sector “should not remain” only focused on simple metrics such as occupancy rate and average stay, but on business capabilities, entrepreneurial spirit and high order competences (cooperation, networking) as well, to offer a viable solution to the region’s future. In this study, we highlight the key role to be played by the municipalities via a transformational leadership (Haven-tang & Jones, 2012). Success in RT development is clearly conditioned by a strong leadership aiming at fostering cooperative arrangements amongst public and private operators. As dressed by Haven-Tang and Jones (2012), a strong leadership must provide effective guidance and encouragement in order to increase the number of collaborative projects and to “encourage” the concept of followership. The ultimate goal should lie at nurturing the current core of competences and at developing from scratch new ones. It can also be mentioned that the municipalities should promote and encourage grassroots approaches. However, our findings suggest that it would be better to employ the limited amount of financial and human resources devising how to create synergies between top-down initiatives and directives and bottom-up initiatives. As found out in this study, municipalities are instrumental in the commoditization (and as “guardianships”) of the local identity, cultural history and natural resources. By promoting new cultural events,

(“densifying the cultural agenda as referred by Haven-Tang & Jones, 2012), the local authorities may help “extending the high season”, and the development of mutually beneficial economic links between RT operators and other sectors such as food and drink. As observed by Haven-Tang and Jones (2012) the local municipalities can achieve a considerable amount in promoting locally produced food and drink, arts and crafts and events/festivals that enrich the quality of the tourism experience. But the most important is to encourage followers to behave in an appropriate manner.

Our results suggest that local entrepreneurs agree that local initiatives aiming at should be praised. Our findings suggest that the respondents acknowledge the crucial role to be performed by the local authorities in promoting a culture of cooperation between the private and public actors. Off course, collaboration demands “trust, recognizing interdependence, generating a collective vision and objectives and commitment among stakeholders” as it was described by Komppula (2014, p. 369). The local authorities are well placed to help the regional DMO to set the principles for a successful marketing campaign. Significant amounts of time will be required to balance the different stakeholders’ interest. As referred by Komppula (2014) success is closely linked to personal dedication” and friendly approach. Off course, as observed by Rusko et al (2009) Lovelock and Boyd (2006), the local authorities must succeed in developing a favourable environment by.

Although, the critical role of the local municipalities is well acknowledged, localities are also prone to be plagued by lock in effects. Randelli et al (2014) shows that regions endowed with high levels of valuable and marketable amenities, but enjoying “stable/strong rural configurations” that is, vibrant and buoying economies, are unable to move on beyond operating simple and fragmented business operations. In fact, if there is no pressure from to change the modus operandi in any substantial way, which may happen if the agricultural sector succeeded in surviving the ups and downs of the ongoing globalisation process, any attempt from the local policy makers to foster RT will fail. RT may strive within the context of a weak rural configuration, when events such as economic downturns offer a window of opportunity. In any circumstance, local authorities play a pivotal role in promoting a spirit of “changing routine, experimentation, and incremental change and reading awareness among”.

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